

9-13-1966

Letter to William P. Horan Concerning Statitrol Corporation

Statitrol Corporation

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H O N E Y W E L L

I N C.

September 13, 1966

William P. Horan, Esq.
Burnet, Watson & Horan
Suite 814, Metropolitan Bldg.
Denver, Colorado 80202

RE: Statitrol Corporation

Dear Mr. Horan:

We are enclosing an execution draft of our agreement with Statitrol covering the sale of Devices and Equipment. We have sent three copies of the agreement, which have been executed on behalf of Honeywell, to Duane Pearsall.

You will note that this draft is identical with the draft which was sent to you and Duane by Bill Ledbetter with his August 12 letter, except for modifications which were made in response to your August 19, 1966 letter.

Following is a brief explanation of our position with regard to the modifications which were proposed in your letter:

Paragraph 9: We have no objection to the use of available insurance coverage for claims in the areas of patent infringement and products liability, prior to looking to the indemnity fund.

Our accounting people advise me that Statitrol will be able to carry the indemnity fund as a contingent asset, as you propose, even though the fund is retained by Honeywell. Because of this fact and the strong feeling of our management, we would very much like Honeywell to retain the fund, paying interest periodically.

Paragraph 10: We wish to note that although our present intention is not to hold the training classes as often as permitted under the agreement, our understanding, during all phases of the negotiation, was as expressed in the original draft of the agreement.

- continued -

Paragraph 11: We agree that it is reasonable to place a time limitation on the "startup and production test phase". Because of the time lags involved in the manufacture of Devices, their shipment to Chicago, the subsequent packaging and reshipment of these items to our branches for installation and the actual installation time, we feel you will agree that 18 months from the date of U.L. approval is a more reasonable time limitation.

Paragraph 13: "Net 15 days" is acceptable.

Paragraph 15: It is agreeable that our right to terminate the agreement, as set forth in paragraph 15, be based on the selling price of competitive equipment rather than on our selling price to Statitrol. We would like to have the contract open to renegotiation if the price of competitive devices becomes less than 150% of the price we pay Statitrol for Devices. From a practical point of view, we all realized that it would probably not be economically feasible for Honeywell to terminate the contract until competitive devices were available at somewhat less than 150% of the price of Devices.

Paragraph 17: This is a new paragraph. We feel this point was agreed to at the inception of negotiations, but was omitted from previous drafts through our oversight.

Paragraph 18 & 19: These paragraphs have been renumbered and are old paragraphs 17 and 18. Your suggestion regarding old paragraph 18 has been incorporated into this draft.

Schedule A: Your draft of the schedule appears acceptable to us.

Schedule B: We are extremely reluctant to include any language for price escalation. We realize that an inequity could result during the renewal periods and therefore feel the modifications we have made in your language should be mutually acceptable.

As we believe that it is the custom of the trade that bulk shipments by manufacturers in this type of arrangement be made FOB point of delivery and because all our internal projections have been based on this concept, we feel strongly that prices should be FOB Chicago.

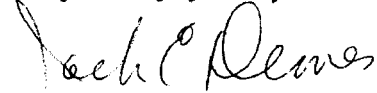
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Schedule C: This schedule has been modified to conform with Duane's suggestions.

Appendix: Both of your proposed changes are acceptable and have been incorporated into the appendix.

If the agreement is acceptable to Statitrol's Board, we would appreciate your arranging to have Statitrol execute the agreement, returning one fully executed copy to us.

Very truly yours,



Jack E. Deones
Attorney

JED/ams
Enclosures

cc: Mr. Duane Pearsall
Statitrol Corporation
1030 West Ellsworth Avenue
Denver, Colorado